AL-KIDWA: It is indeed discouraging and worrisome. But, frankly, this is not new. Israel is in transition, and Israel's contempt, I would say, for the will of the international community, and from time to time the United States, is very well known.

But let me tell you something. The moment that the United States decides indeed that something ought to happen, even if it does include Israel, believe me, the Israelis will have to carry this on.

WHITFIELD: All right. Ambassador <u>Nasser Al-Kidwa</u>, U.N. Palestinian observer, thanks very much for joining us from New York this afternoon.

AL-KIDWA: Thank you. TO ORDER A VIDEO OF THIS TRANSCRIPT, PLEASE CALL 800-CNN-NEWS OR USE OUR SECURE ONLINE ORDER FORM LOCATED AT www.fdch.com

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CNN

SHOW: AMERICAN MORNING WITH PAULA ZAHN 07:00

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HEADLINE: Ambassadors Debate Arafat Presence in Israel

GUESTS: Yehuda Lancry, Nasser Al-Kidwa

BYLINE: Paula Zahn

HIGHLIGHT:

Ambassadors debate Yasser Arafat's presence in Israel.

BODY:

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PAULA ZAHN, CNN ANCHOR: The big question at this hour: Should Yasser Arafat be forced into exile? Israeli's Prime Minister, Ariel Sharon, offered Arafat a one-way ticket out of

his besieged complex in Ramallah, but Arafat said he'd rather die than go into exile.

Here in New York, representatives from both sides are pleading their respective cases to the United Nations. They met separately yesterday with members of the Security Council on the subject of the U.N. resolution calling for ceasefire and for Israel to pullback its troops from Palestinian territories.

Joining us here this morning, Yehuda Lancry, the Israeli U.N. ambassador and **Nasser Al- Kidwa**, the Palestinian representative to the U.N. Good morning, gentlemen. Thank you both for being with us. Is it a good sign that we have the two of you sitting next to you each other this morning?

YEHUDA LANCRY, ISRAEL U.N. AMBASSADOR: A good sign, yes.

ZAHN: Before we talk about the U.N. resolution, just a quick reaction from both of you to the news that the Israelis claim they have found documents which would indicate that Yasser Arafat was funding terrorist activities. There's no proof that the invoices were ever paid. They claim they have the invoices. The Palestinians saying this morning they're forgery. How important are these documents?

LANCRY: I think that we strongly believe the Palestinian authority is involved in such business, in a blatant contribution with its own commitment to renounce to any form of violent stories and such activities. That is proof and evidence for us. As you do remember months ago or two months ago, Israel seized the ship with smuggled arms, the Karine-A ship, and it was at the same chief financial executive of the Palestinian Authority who was also perceived as strongly involved in this shipment.

ZAHN: Mr. Al-Kidwa, your reaction?

NASSER AL-KIDWA, PALESTINIAN REPRESENTATIVE TO THE U.N.: Complete nonsense. I mean we are talking here about some kind of documents, which somebody said that -- suggested that some money was paid for posters or something like that.

ZAHN: Posters in addition to that explosives for bombs and chemicals for bombs.

AL-KIDWA: I have never ...

ZAHN: I don't have a list, you know, right here but a list of seven or eight things.

AL-KIDWA: I'm not convinced but we are talking about some kind of James Bond activities in comparison with public statements and public policies and the reaction taken by army of a state. I think we should focus on these instead of going around and trying to find bits and pieces of rumors and unsubstantiated claims to try to prove a point. This is -- I don't think this that is way to go.

ZAHN: But I have to tell you gentlemen and Mr. Lancry, our audience is really trying to cut through to the kernels of truth here. And if they can't even have high-ranking U.N. diplomats agree on whether these documents are real or not, they're wondering how you ever are going to come to any peace. I mean is this a pivotal point, these documents or not?

LANCRY: I don't think that is really a pivotal point. It is only an indication of what Israelis

saying clearly in all of the last 18 months. We got from Chairman Arafat, while he signed the Oslo agreement, the major commitment, which is a pillar of the Israeli- Palestinian peace process, the clear renunciation to any terrorist activity. And this is an indication in this sense, unfortunately.

ZAHN: And you say this is really nonsense and just a distraction?

AL-KIDWA: Absolutely. Absolutely. And I'm saying that the cusp of the need for peace is an end of occupation, establishment of a state for security given to Israeli. Unfortunately, we are not having any indication for the last several years about the intention of the Israeli side to end its occupation of the occupied Palestinian territory that allow this people to live in peace, to allow us to regain our liberty and to have our independence.

ZAHN: It is interesting to note the Secretary of State Powell, yesterday, made it very clear that this Israeli, I guess he called it operation, cannot continue. That it is not serving any useful purpose and he anticipates you will withdrawal. But when?

LANCRY: Let me just offer a quick different view from what has been said by my colleague and friend Ambassador Al-Kidwa. Only two years ago, Israel offered a huge and vast and comprehensive political horizon to the Palestinian side, including the establishment of a Palestinian state, which we are accepted and in the resolution 1397. So the political horizon was there. But this didn't prevent the Palestinian side, during the five months of the rule of Ehud Barak's government after the surge of the Palestinian intifada, to continue to harass Israel with terrorists.

As toward our resolve, we clearly indicated before this military operation started that we are not going to reconquer Palestinian territories. That our main and unique goal is to dismantle the terrorist infrastructure, which calls into question the very ability of Israel to exist on a daily basis.

ZAHN: Ambassador Al-Kidwa, so there is no timetable now for the Israeli withdrawal but if the U.N. resolution were going to be fully implemented, the violence has to stop on both sides in addition to Israel withdrawing those forces.

AL-KIDWA: Absolutely.

ZAHN: What is going to change the picture here?

AL-KIDWA: What we need is the following in my opinion. To be more serious and to try to say something useful. We need limitation of Security Council Resolution 1402 the Israelis do not accept.

We need also what the Secretary-General of the United Nations has proposed, third-party presence to help both sides to implement the existing agreements and to increase the confidence between the two sides.

And we need, finally a comprehensive approach; one, which deals with the security dimension but also deals with the political dimension. Unfortunately the United States administration, until now, tried to avoid the political intervention and to deal with only the security, which will never work. It can't work because the Palestinian people need to be

convinced that there is a future, there is hope, that there's independence and all this could be achieved through peaceful means.

This is what will enable the Palestinian authority to fulfill its obligations later on and to try to control the situation.

ZAHN: Ambassador Lancry, we have 10 seconds left. When do you see a ceasefire, either being accepted or imposed?

LANCRY: As soon as possible and I do hope that Chairman Arafat can get something useful in this perspective. It's suffice that Chairman Arafat declared that he's condemning and orders the cessation of suicide bombings and I think we will enter the logic of the ceasefire and the withdrawal of the Israeli troops.

(CROSSTALK)

ZAHN: ... your fellow Ambassador shaking -- rolling his eyes.

AL-KIDWA: He did that. He did that. And that let to a completely different situation for three weeks. Mr. Sharon refused to use these three weeks to improve the situation and to get out of this problem. Let's implement immediately the resolution and that includes both ceasefire and the Israeli withdrawal from the Palestinian cities immediately.

(CROSSTALK)

LANCRY: Please. Putting the resolution, a call for cessation -- and immediate cessation of suicide bombings, you will get the positive Israeli answer. I can promise you that.

(CROSSTALK)

AL-KIDWA: Which resolution?

ZAHN: All right. We're doing a little negotiating right here on AMERICAN MORNING. We love to have you come back and do that with us every morning, unfortunately, we've got to move on. Ambassador Nasser Al-Kidwa thank you for your time. Ambassador Lancry thank you for yours as well. We'll be keeping a close eye on U.N. activities in the days to come.

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